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C O N F I D E N T I A L SECTION 01 OF 02 RANGOON 001595

SIPDIS

SENSITIVE

STATE FOR EAP/BCLTV, EB
COMMERCE FOR ITA JEAN KELLY
TREASURY FOR OASIA JEFF NEIL
USPACOM FOR FPA

E.O. 12958: DECL: 12/10/2013

TAGS: [SNAR](#) [PGOV](#) [EFIN](#) [BM](#)

SUBJECT: BURMA FLOATS MONEY LAUNDERING RULES AND INVESTIGATIONS

REF: A. WOHLAUER-GLAZEROFF 12/5 EMAIL

[1](#)B. RANGOON 1572

[1](#)C. RANGOON 1253

Classified By: COM CARMEN MARTINEZ FOR REASONS 1.5 (B,D)

[1](#)1. (SBU) Summary: As if from thin air, the Burmese government has issued long-awaited regulations to accompany a money laundering law passed in June 2002. Simultaneously, the government launched an investigation into two banks pinpointed by the United States as linked to narcotraffickers. While we are cautiously optimistic, some omissions and obstacles remain and it is uncertain whether these new rules can and will be enforced effectively. End summary.

Regulations from Heaven

[1](#)2. (U) Much to everyone's surprise, the Burmese government on December 5 released long-awaited regulations to accompany its June 2002 anti-money laundering statute. It was the absence of these regulations, and the GOB's refusal to make any comment on their likely appearance, that in part led the Financial Action Task Force's (FATF) on November 3rd to ask member states to impose countermeasures on Burma.

[1](#)3. (U) The new regulations seem pretty good on paper. They track the 2002 law very closely, requiring banks, land management agencies, and Customs to report on any suspicious or large transaction. They also require Burma's Central Control Board (CCB) to form a Financial Investigation Unit (FIU) and oversee an elaborate administrative process for investigating and judging money laundering cases. The regulations allow for temporary and permanent seizures of assets and lay out stiff penalties for money laundering associated with eleven criminal offenses, and for corruption of government and private agencies responsible for enforcing the law. According to the Home Ministry, whose minister will chair the CCB, the regulations will be applied retroactively, and investigations of suspicious transactions dating back to June 2002 will begin once a FIU is up and running.

[1](#)4. (SBU) Though the regulations are a good start, there are a few things lacking and some potential problems. For one, the regulations do not include a threshold amount for reporting transactions. A Home Ministry official said this is "expected," but without it the law will remain hobbled. Second, some crimes that are major arenas for money laundering, such as corruption and illegal gambling, are not included in the list of predicate offenses. Third, the Home Ministry admits that Burma does not currently have the capacity to carry out effective investigations outside of narcotics-related money laundering. For this last problem, the GOB blames a lack of resources and the international community's reluctance to offer significant assistance.

On the Case

[1](#)5. (SBU) Notwithstanding the limited knowledge and experience of investigators, the GOB announced its first money laundering investigations will target Myanmar Mayflower and Asia Wealth banks. Both of these private banks, with alleged ties to narcotraffickers, had been identified by the U.S. Treasury Department as being of particular money laundering concern. Though it initially disputed the Treasury claims as "spurious," in a later press conference the GOB cited the Treasury findings as the impetus for these inquiries (ref B). The CCB has established an investigative body headed up by a well-educated, but firmly pro-SPDC, accountant. Most of the rest of the team hails from various ministries.

Comment: Wait and See

[1](#)6. (SBU) We don't know for sure why these regulations came out when they did and with no warning. The Home Ministry claims it was just the natural course of events, but we doubt it. None of the overt barriers to completing the regulations

-- especially moribund private banks and the lack of capacity
-- has been overcome since FATF made its final request for
action to the Burmese government in October (ref C). We
think it more likely that the regulations were issued in
their current state as a political gesture, to address FATF
and U.S. pressure or perhaps to shine up the SPDC's
reputation on the eve of Burma's two December summit meetings
-- the Japan-ASEAN meetings and the Thai-hosted summit.

17. (SBU) It is too early to know whether the regulations will
be an effective deterrent to money laundering. The capacity
and will to enforce the rules properly is one question mark,
and an area in which the United States and the UNODC could
assist. Another important unknown is whether the government
can convince private bankers, currently decimated by an
unresolved nearly year-old banking crisis, to systematically
report on their dwindling customer base. In a land where
people go to extremes to avoid being noticed by the
government, a vigilant banker may see his depositors flee to
more lenient banks or into the large informal financial
sector -- where monitoring and regulation will be nearly
impossible. Finally, corruption, as always, may take hold
and erode effectiveness of the law. End comment.
Martinez